

Q&A

JOB LOSS: Miscellaneous Tax Information

Every new phase of life brings many challenges. The Internal Revenue Service recognizes that the loss of a job can create new tax situations for you. The following information is provided to clarify the tax implications.

Can I deduct any of the expenses that I have from looking for a new job?

Yes, you can deduct certain expenses for looking for a new job in your present occupation, even if you do not get a new job. For additional information, see Publication 529, Miscellaneous Deductions.

What types of expenses can I include?

Generally, you can deduct employment and outplacement agency fees for work in your occupation. You can also deduct amounts for typing, printing and mailing copies of your resume to prospective employers. More specific information is available in Publication 529, Miscellaneous Deductions.

What about travel costs for interviews or job hunting?

If you travel to an area to look for work in your occupation or attend an interview you can generally deduct the ordinary and necessary travel costs. The purpose of the trip must be considered. Trips that are primarily personal are not deductible. For more information on how to compute your travel expenses, see Publication 463, Travel, Entertainment, Gifts and Car Expense.

Do I need to file the "long-form" to deduct my job hunting costs?

Yes, you will need to file a Form 1040 and Schedule A. Job hunting costs are a miscellaneous itemized deduction, subject to a 2% Adjusted Gross Income limitation. For more information, please see Publication 17, Your Federal Income Tax.

Can I deduct the moving costs I paid to move to my new job?

Certain moving costs are deductible if you meet the time and distance requirements. Generally, your move has to be closely related in time to the start of your new job and you must have moved at least 50 miles. Deductible moving costs are calculated on Form 3903. Publication 521, Moving Expenses, provides additional information.

If I sell my home, do I have to pay taxes on the money I make?

Usually you do not have to pay tax on the first \$250,000 (\$500,000 on a joint return in most cases) of gain from the sale of your main home. Generally, you must have lived in and owned the home for at least two years. For more information, see Publication 523, Selling Your Home.

Now I have to pay the full cost for my health insurance. Is this deductible?

Health insurance premiums are includible in your medical and dental bills. They are deductible on Schedule A, if you itemize. Some limitations apply. See Publication 502, Medical and Dental Expenses, for more information.

Can I claim the Earned Income Credit this year?

Even though your income may have exceeded the thresholds for this credit in past years, you may be eligible for the credit this year. The credit is available to taxpayers who meet certain income guidelines. For more information, see Publication 596, Earned Income Credit.

My chances of finding a new job will be better if I take a few college courses. Can I deduct any of my tuition?

You may qualify for the Hope or Lifetime Learning educational credits. Sometimes, the tuition costs can even be an itemized deduction. For more information, see Publication 970, Tax Benefits for Higher Education.

Copies of the referenced publications can be found at www.irs.gov or you may call 1-800-829-3676.

